

Administrative Manual

FOR AGENCY PAYROLL/BENEFITS ADMINISTRATORS

COMMONWEALTH OF VIRGINIA Miscellaneous Insurance and 403(b)

Administered by

FBMC



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Overview

Fringe Benefits Management Company (FBMC) is the Third Party Administrator for the Commonwealth of Virginia for Miscellaneous Insurance products and 403(b) annuity payroll deductions. Payroll deductions for State employees are processed through the Commonwealth Integrated Payroll/Personnel System (CIPPS).

The Commonwealth of Virginia allows various deductions to be taken from employee pay. The Department of Accounts (DOA) is responsible for deductions required by law or authorized by the employee as a prerequisite for participation in State-sponsored programs such as health care insurance, flexible spending accounts, or deferred compensation. These activities are not a component of the voluntary Miscellaneous Insurance and 403(b) program.

The Commonwealth does not sponsor the products offered under the Miscellaneous Insurance/403(b) program. The program is intended to benefit employees by providing payroll deduction services for commercially available products among a "network" of independent vendors. Although they are included in the program, Tax Sheltered Annuity (pre-tax) products are available only to employees at higher educational institutions and qualifying educational agencies. Employees in most "line agencies" are not eligible for pre-tax deductions. The deductions for products offered under the Miscellaneous Insurance and 403(b) program will herein be referred to as "miscellaneous deductions."

Salaried employees receive Cash Match contributions on paydays in which they receive a salaried paycheck and make a contribution to a 403(b) (i.e., tax-sheltered annuity) or 457 (Deferred Compensation Plan). The cash match amount is 50% of the 403(b) contribution up to the amount authorized in the Fiscal Year Appropriations Act (FY 2003 limits are \$20 semimonthly and \$40 monthly respectively*). Accelerated or catch-up contributions are not permitted in order to reach the maximum annual Cash Match. An employee may make one (1) change of participating vendor company annually (See Forms and Form Flow, Virginia Cash Match).

* Employees paid on an accelerated schedule (i.e., 9-, 10-, or 11-month payrolls) may have accelerated cash match contributions if the institution's plan document provides such accelerations.

Miscellaneous deductions/amounts are processed through CIPPS using:

- a. One post-tax deduction for voluntary insurance products (Deduction 41);
- b. One pre-tax deduction for annuity products (Deduction 39);
- c. One post-tax deduction to charge employee-paid administrative fees, where applicable (Deduction 42); and,
- d. One employer-paid memorandum deduction for the employer cash match contribution (Deduction 46).

Administrative fees are charged to fund the consolidated billing process, as the Commonwealth does not sponsor the voluntary products for which deductions take place. In many cases, the Vendor pays the administrative fee on behalf of the employee. When the Vendor does not pay the administrative fee, the fee is charged to the employee and is taken through payroll deduction. A list of eligible vendors with a notation regarding the requirement of an employee-deducted fee can be found at the Virginia Provider Network website at www.fbmc-benefits.com/VaProviderNetwork/index.asp

Fees: Miscellaneous Insurance Products:

- The employee-paid fee is \$.24 per deduction per pay period per Vendor.
- Vendor-paid administrative fees vary based on the level of participation with the Vendor as described in the Administrative Manual for Vendors.

Fees: 403(b) Program/Cash Match Program:

- The employee-paid fee is \$.35 per provider regardless of cash match participation. Example, if an employee has three 403(b) providers, the \$.35 fee will be assessed for each provider total \$1.05, even though only one provider receives the cash match contribution, or regardless of whether there is a cash match contribution at all.
- Vendor-paid administrative fees vary based on the level of participation with the Vendor as described in the Administrative Manual for Vendors.

Forms and Form Flow

Vendors will be provided standard Salary Reduction Agreement (SRA) forms and Salary Deduction Agreement (SDA) forms. In most cases the FBMC SRA and SDA forms are the only forms that will be accepted to start, stop or change deductions. *(Where an agency developed form is desired, the inclusion of the data found on the FBMC SRA must be included.)* Most vendors will provide these forms directly to employees. Agency Payroll/Benefit Administrators will be provided with a small supply of the forms as a contingency. All forms can be found at DOA's website at:

<http://www.doa.state.va.us/procedures/Payroll/TPA/tpahtm.htm> .

There are four forms utilized by agency personnel and vendors:

1. Post-Tax Salary Deduction Agreement (SDA)
2. Benefit Administrator Authorization Form (BAA)
3. Pre-Tax Salary Reduction Agreement (SRA)
4. Cash Match Form (CMF)

Post-Tax

A **Post-Tax Salary Deduction Agreement (SDA)** must be completed to add, cancel, or modify payroll deductions for all post-tax Miscellaneous Insurance products. All Post-tax SDAs must be initiated between the Vendor Agent and the employee. Vendors are responsible for providing the SDA to the employee and assisting the employee to ensure proper completion of the form. Upon completion, the form will be forwarded by the vendor agent to the vendor's main office. When all underwriting requirements have been fulfilled the vendor will be responsible for timely submission of the form to FBMC to establish the employee record in FBMC'S database. To ensure that the deductions start timely, the payroll cut-off dates must be honored. If the cut-off date has not been met, the deduction will start on the next payroll date. FBMC will authorize the Agency Payroll/Benefit Administrator to begin payroll deductions via the Enrollment Change Report and subsequently forward the original SDA form for filing in the employee's payroll file.

Form flow is provided below.

1. Employee contacts Vendor
2. Vendor processes application and completes the SDA
3. Vendor provides SDA to FBMC. This is provided to FBMC only AFTER underwriting (if required) has been completed

4. FBMC provides the original SDA to the Agency Payroll/Benefit Administrator. (FBMC will make every effort to send the SDA with the Enrollment Change Report for use by the Agency Payroll Administrator; however, due to the timing of submission of forms, this may not always occur.)
5. The Agency Payroll/Benefit Administrator makes the appropriate CIPPS entry for payroll processing.

Deduction refunds should not be performed without notification to FBMC. The absence of a required premium could adversely impact the employee's insurance coverage.

Changes or cessation of miscellaneous insurance deductions should be communicated via the SDA form. Typically, the employee contacts the vendor who initiates the SDA form and forwards the form to FBMC. FBMC will notify the Agency Payroll/Benefit Administrator via the Payroll Change Report. However, direct requests from an employee for termination of a deduction cannot be denied. Please communicate any such request immediately to FBMC via email.

All changes will require written documentation to effect a change. Fax copies are acceptable.

Pre-Tax

Pre-Tax annuity deductions are established using two forms. First, *if an employee is signing up for catch-up*, the **Benefit Administrator Authorization Form (BAA)** must be completed by the Benefits Administrator in order for an employee to participate in a 403(b) tax sheltered annuity. The purpose of the BAA is to provide accurate salary and hire date information to both the annuity provider and to FBMC. Although MEA (Maximum Exclusion Allowance) calculations are no longer required for *most* participants, FBMC is contractually obligated to perform compliance monitoring related to the Economic Growth and Tax Relief Reconciliation Act (EGTRRA) of 2001. Therefore, accurate salary and hire date information is required. The completed BAA should be provided to the employee to be used when meeting with the annuity provider. The annuity provider will reference the information on the BAA when completing a Pre-tax Salary Reduction Agreement (SRA) and maintain the BAA in the client's annuity file.

Second, a **Pre-Tax Salary Reduction Agreement (SRA)** must be completed to add, cancel, or modify payroll deductions for all 403(b) tax sheltered annuity amounts. In most cases, vendors are responsible for providing the SRA to the employee; assisting the employee to ensure proper completion of the form, and submitting the form to FBMC timely when the annuity deductions should begin. After entering the necessary data into FBMC's database, FBMC will forward the original SRA form for filing in the employee's payroll file. To ensure that the deductions start timely, FBMC will authorize the Agency Payroll/Benefit Administrator to begin payroll deductions via the Payroll Change Report. The payroll cut-off dates must be honored. If the cut-off date has not been met, the deduction will start on the next payroll date. *Where the vendor does not maintain supplies of the SRA or provide assistance in completion of the form, the Agency Payroll/Benefit Administrator must assist the employee and forward a copy to FBMC.*

Below is the form flow for Option One - *vendor provides SRA* and assists employee in accurate completion of the form:

1. Employee approaches Agency Payroll/Benefit Administrator
2. Agency Payroll/Benefit Administrator completes BAA with required data (salary, hire date).
3. Employee contacts Vendor.
4. Vendor and Employee complete SRA agreement. Vendor processes application and calculates MEA.
5. Vendor provides SRA to FBMC.
6. FBMC verifies that the SRA has complete information. FBMC produces an Payroll Change Report.
7. FBMC provides Payroll Change Report and the original SRA to the Agency Payroll/Benefit Administrator.
8. The Agency Payroll/Benefit Administrator makes the appropriate CIPPS entry for payroll processing.

This option will be used when the **Vendor does not provide the SRA**, (examples of Vendors that do not provide an SRA are TIAA-CREF and T.Rowe Price)

1. Employee approaches Agency Payroll/Benefit Administrator
2. Agency Payroll/Benefit Administrator completes BAA form with required data (salary, hire date) and sends the information to the annuity vendor.
3. Employee contacts Vendor
4. Vendor processes application
5. Employee signs SRA with Agency Payroll/Benefit Administrator and employee provides MEA calculated by Vendor
6. Agency Payroll/Benefit Administrator sends copy of SRA to FBMC. Agency keeps the original SRA.
7. FBMC produces an Payroll Change Report
8. The Agency Payroll/Benefit Administrator makes the appropriate CIPPS entry for payroll processing.

All deduction refunds must be processed through CIPPS and not obtained directly from the vendor or FBMC. The only exception to this policy is when the refund cannot be processed through payroll within the corresponding calendar year. In these instances, the Agency Payroll/Benefit Administrators must contact the Benefits Accounting unit within Payroll Operations at the Department of Accounts to obtain instructions. Non-compliance with this policy will cause out-of-balance conditions with the employee tax records.

Changes or cessation of annuity deductions should be communicated a new SRA. However, direct requests from an employee for termination of a deduction cannot be denied. Please communicate any such request immediately via email. FBMC will subsequently notify the vendor.

All changes will require written documentation to effect a change. Fax copies are acceptable.

Virginia Cash Match

The **Cash Match Agreement Form (CMF)** is used to either enroll in the Virginia Cash Match program or change provider companies in the program.

The Agency Payroll/Benefits Administrators must provide a CMF to the employee for designation of the annuity vendor to which the funds should be distributed. A copy of the completed form should then be faxed to FBMC so that the vendor participation can be verified and the necessary data can be entered into FBMC's database. **Deductions should not begin until the cash match amount is reflected on the Payroll Change Report.** The payroll cut-off dates must be honored. If the cut-off date has not been met, the deduction will start on the next payroll date.

403(b) participants making contributions to a **single, participating** provider do not need to complete and sign the CMF. The Agency Payroll Administrator may complete and sign the CMF on behalf of the employee. However, when an employee **has more than one participating provider** the employee **must** designate a provider before the Cash Match can begin. Forward the CMF to the FBMC, **not to the provider**, prior to the payroll cut-off date for the pay period/pay date it is effective.

Employees that have multiple, participating providers may elect to change the provider that receives the Cash Match no more frequently than **once** each calendar year. The CMF must be completed and signed by the employee, and forwarded to the FBMC *clearly* indicating both the old and new providers on the form so FBMC can make the appropriate changes.

Form flow is provided below.

1. Employee completes CMF.
2. Employee gives Agency Payroll/Benefit Administrators CMF.
3. Agency Payroll/Benefit Administrators faxes CMF to FBMC:
4. FBMC enters the necessary data into the database.
5. FBMC authorizes payroll deductions to start via the Payroll Change Report.
6. The Agency Payroll/Benefit Administrator makes the appropriate CIPPS entry for payroll processing.

FBMC Reports

TSA Participation Listing - Also known as the TSA Quarterly Report. This list is generated on a calendar quarter basis and reflects all employees participating in the 403(b) program with their current 403(b) contribution amounts and the corresponding 401(a) amounts, if applicable.

Complete Enrollment Report - Also known as the Post Tax Quarterly Report. This report is generated on a calendar quarter basis and reflects all employees participating in the Post-Tax program and includes the detail insurance policies that comprise the total Post-Tax deduction amount, as well as any fees paid by the employee.

Enrollment Change Report – This is the Post Tax Change Listing. This report is generated on an as needed basis and lists any employees who have made changes in their post tax miscellaneous insurance products for the payroll date provided at the top of the report.

Payroll Change Report - This is the Pre-Tax Change Listing. This report is generated on an as needed basis and lists any employees who have made changes in their 403(b) or Cash Match 401(a) contribution for the payroll date provided at the top of the report.

Both the pre-tax and post tax change reports are faxed to the specified work location.

Quarterly reports are mailed each quarter.

Payroll Cut-off Dates

To allow for the proper editing and pre-audit of payroll entries, the CIPPS cut-off date for inclusion in the current payroll is 4 business days prior to DOA specified certification deadline. Please refer to the Payroll Cut-off Date table at [www.doa.state.va.us/procedures/tl\)a/tl\)a-cutoff-dates.htm](http://www.doa.state.va.us/procedures/tl)a/tl)a-cutoff-dates.htm) to determine the proper pay period to begin a deduction or make a deduction change. It is very important that the cut-off dates are honored to assure that the deductions are entered simultaneously with CIPPS and FBMC for a specific pay date. No backdating or retroactivity need occur through the payroll system. The Agent/Vendor providing the policy (post-tax) is responsible to obtain all retroactive premiums directly from the employee via check, money order or cash.

Entering or Changing Deductions

An Enrollment Change Report for post-tax deductions and a Payroll Change Report for pre-tax deductions inclusive of cash match will be provided by FBMC to the Agency Payroll/Benefits Administrator for any event that affects deductions. Both reports show totals for the affected deduction slot and are distributed (faxed) to the Agency Payroll/Benefit Administrator on the associated payroll cut-off date.

Any entries made to CIPPS should be entered from the Payroll Change Report or Enrollment Change Listing only. Entries should not be made from an enrollment form or application provided by the Vendor or

employee. The risk of entering from a source other than the FBMC reports is that deductions could start before a policy is issued or before the plan effective date. The only exception is employee requested cancellations. Cancellations may be processed directly by payroll; however, FBMC must be notified immediately to prevent vendor overpayment.

This is an example of the change listing.

One of the services performed by FBMC is the itemization of what the aggregate pre-tax or posttax deduction amounts represent. The following is an example of the type of detail that will now be available:

	Deduction 41	Deduction 42
AF CANC	\$12.50	
AF LIFE	\$37.26	
CIPPS Deduction Total	\$49.76	
Administrative Fee		.24
CIPPS TOTALS	\$49.76	.24

Here's another scenario illustrating deductions from multiple Vendors:

	Deduction 41	Deduction 42
AH LIFE	\$25.00	
Administrative Fee		.24
ME LIFE	\$25.00	
Administrative Fee		.24
CIPPS TOTALS	\$50.00	.48

The Rounding Rule

Payroll deductions for monthly odd cents amounts are rounded up one cent when calculating the per pay amount to make the amount divisible by 2. Please ensure that all premiums are divisible by 2 prior to forwarding the SDA forms to FBMC. Any odd cents that may be collected will be applied to the employee's account by the particular vendor.

Remittance Listings to Vendors

FBMC will produce remittance listings for each Vendor. The remittance listings provide by employing agency participant data to include social security number, benefit type, and deduction/reduction amount.

Vendors of Miscellaneous Insurance products (post tax) will receive a *monthly* remittance listing and check postmarked by the 20th of the month for premiums deducted from the payroll of the 1st and the 16th of the *previous month*. Vendors can select to have their remittances and checks sent via FedEx by sending a request (which includes their FedEx account number) to FBMC in writing.

Vendors of 403(b) products (pre-tax) will receive a semi-monthly remittance listing coinciding with a direct deposit of funds within three business days of FBMC's receipt of data and funds from the Commonwealth of Virginia which typically occurs on each scheduled payday. FBMC will remit all pre-tax participant contributions and Virginia Cash Match employer's contribution to vendors via direct deposit.

FBMC Contacts

Fringe Benefits Management Company's home office is located at:

3101 Sessions Road or P. O. Box 1878
Tallahassee, FL 32303 Tallahassee, FL 32302-1878

Phone: 1-800-533-2738
FAX: 850-425-6220

Agency Payroll Benefit Administrators can call FBMC's Customer Service at (800) 342-8017
(Post-tax benefits, Remittance listings, SDA form completion, forms request or deductions)

Other Contacts:

Account Manager (Provider Network)	Scott Mixon,	Ext. 452
Team Leader:	Julie Causseaux,	Ext. 574 (Consolidated Billing)
Accounts Receivable:	Nancy Gandy,	Ext. 561 (Administrative fee bills)

Benefit Codes

Listed below are the benefit codes you will see reflected on the Post Tax Benefit Report:

ACCI	Accident Coverage
AD&D	Accidental Death & Dismemberment
ANNU	Annuity
AUHO	Auto/Homeowners
AUTO	Auto
BOAT	Boat CANC Cancer
DDCN	Dread Disease/Cancer
DENT	Dental
DISI	Disability DISS Disability
FIRE	Fire Insurance
HART	Heart, Heart Care, Heart Attack/Stroke
HEAL	Health
HOME	Home
HOSI	Hospital Indemnity Coverage
INTC	Intensive Care
ISAC	Individual Salary Continuance
LEGL	Legal
LIFE	Life Insurance LOTC Long Term care
MISC	Unidentified Plan
RIRA	Roth IRA
SHIN	Supplemental Hospital Income
SICK	Sickness
TSUP	Triple Supplement plan
VISI	Vision